

A large, empty outline of the state of Alabama, intended for a coloring page. The outline is black and shows the state's characteristic shape, including the Gulf of Mexico coastline and the Florida panhandle. The interior of the state is white and contains no text or other markings.

A ship's wheel diagram representing risk management. The wheel is divided into eight segments. The top segment is labeled "DIVISION OF RISK MANAGEMENT". Moving clockwise, the segments are: "EMPLOYEE LIABILITY", "EMPLOYEE ASSISTANCE", "LOSS CONTROL", "PROPERTY", "POLICY MANAGEMENT", "AUTOMOBILE", "EMPLOYEE INJURY COMPENSATION", and "FINANCE DEPARTMENT".



Division of Risk Management
777 South Lawrence Street, Suite 200
Montgomery, Alabama 36104
Phone: 334-223-6120
Fax: 334-223-6154
www.riskmgt.alabama.gov

STATE OF ALABAMA
Department of Finance
Division of Risk Management

Comprehensive Annual Report
For the Fiscal Year Ended September 30, 2016



Kay Ivey
Governor

Clinton Carter
Director of Finance

Kim Huggins
Acting Risk Manager

TABLE OF CONTENTS

MESSAGE FROM THE RISK MANAGER	4
STATE INSURANCE FUND	5
GENERAL LIABILITY TRUST FUND	8
EDUCATORS LIABILITY TRUST FUND	9
STATE EMPLOYEE INJURY COMPENSATION TRUST FUND	10
RISK MANAGEMENT TRAINING AND SERVICES	11
EMPLOYEE ASSISTANCE PROGRAM	12
THE ALABAMA EQUIPMENT MAINTENANCE PROGRAM (EMP)	13
THE COMMITTEE ON COMPENSATION FOR WRONGFUL INCARCERATION	14
DETAILED FINANCIAL AND OTHER REPORTS	
State Insurance Fund	15
Statement of Net Position	15
Statement of Revenue, Expenses, and Changes in Net Position	16
Notes to Financial Statements	17
Investment Notes	18
Revenue Exhibit - Return on Equity	19
Loss Experience by Fiscal Year	20
Ten Year Income Summary	21
Ten Year Loss Development	22
General Liability Trust Fund	23
Statement of Net Position	23
Statement of Revenue, Expenses, and Changes in Net Position	24
Notes to Financial Statements	25
Investment Notes	26
Ten Year Income Summary	27
Educators Liability Trust Fund	28
Statement of Net Position	28
Statement of Revenue, Expenses, and Changes in Net Position	29
Notes to Financial Statements	30
Ten Year Income Summary	31
State Employee Injury Compensation Trust Fund	32
Statement of Net Position	32
Statement of Revenue, Expenses, and Changes in Net Position	33
Notes to Financial Statements	34
Investment Notes	35
Ten Year Income Summary	36
STAFF	39

MESSAGE FROM THE RISK MANAGER

The 2016 Annual Report provides detailed statistical and financial data regarding the Division of Risk Management's performance in FY 2016. An important part of the division's operation is successful investment of the equity of each trust fund. Strong investment returns help hold down premiums paid by our client agencies, and assure strong response when disaster strikes.

The Division of Risk Management (DORM) provides the following services to our clients:

- **The State Insurance Fund (SIF)** provides quality property insurance for state properties, colleges and universities and most public school systems.
- **The General Liability Trust Fund (GLTF)** protects state employees who are subjected to lawsuits arising from the performance of their job duties.
- **The Educators Liability Trust Fund (ELTF)** protects employees of public K-12 schools who are subjected to lawsuits arising from the performance of their job duties.
- **The State Employee Injury Compensation Trust Fund (SEICTF)** covers state employees for lost time and medical expenses resulting from accidental injuries while on the job.
- **The Employee Assistance Program** provides counseling and referral for employees with problems that affect job performance.
- **Risk Management Services** delivers an array of skilled services designed to avoid loss, both human and financial.
- **The Alabama Equipment Maintenance Program (EMP)** allows all government agencies and departments to consolidate the care of electronic equipment under one comprehensive program.

The 2016 operations of each of these major areas are outlined in this report.

The constant operating philosophy of the division is that we are a service organization whose objective is to best meet the needs of our client state agencies and schools. Our staff is productive, professional and motivated. We all look forward to serving our clients even better in 2017.

Kim Huggins
Acting Risk Manager

STATE INSURANCE FUND

The State Insurance Fund (SIF) was established in 1923 to provide secure, adequate and economical property insurance on state-owned properties. Our operation closely parallels that of private industry insurance companies in the following ways:

- We establish rates, premium discounts and experience credits to result in equitable premiums charged to the policyholders.
- We adjust and pay losses promptly, recognizing that the SIF has a high obligation to its policyholders due to the legislative act that brought us together.
- We purchase excess insurance to protect the state from disasters such as hurricanes and tornadoes.
- We survey properties for safety, loss prevention and property cost evaluations.
- We invest premiums collected to keep future costs low and to build fund equity.

SIF clients whose properties have been inspected are offered replacement cost value coverage for qualified buildings and contents. This valuable coverage provides replacement cost up to 115% of scheduled value in the event of a total loss. Other valuable coverages are Extra Expense, Electronic Data Processing, Builders Risk, Transit, GAP, and Equipment Breakdown coverage which is provided by Travelers Insurance Company.

In fiscal year 2016, the SIF received 610 claims and incurred \$16,258,255 in losses. A fire claim at Auburn University's Lowder Hall in June of 2016 settled for approximately \$6.6 million.

Values Table			
FY	Statewide Insured Values	Value Increase From Previous Year	Increase
2016	57,556,658,448	1,327,827,506	2.31%
2015	56,228,830,942	-201,234,024	0.36%
2014	56,430,064,966	2,504,503,750	4.44%
2013	53,925,561,216	4,878,651,165	9.05%
2012	49,046,910,051	2,083,256,834	4.25%
2011	46,963,653,217	591,832,324	1.26%
2010	46,371,820,893	1,514,410,406	3.27%
2009	44,857,410,487	2,889,032,251	6.44%

Incurred Losses as of September 30, 2016

Perils	FY 2016	Incurred Losses - FY 2016	
		Amount	% of Total
Fire	31	\$ 10,849,686	66.73%
Lightning	219	\$ 1,032,985	6.35%
Wind	157	\$ 2,395,717	14.74%
Burglary	33	\$ 191,820	1.18%
Vandalism	13	\$ 119,788	0.74%
Hail	1	\$ 1,955	0.01%
Freeze	1	\$ 175,750	1.08%
Water	99	\$ 912,658	5.61%
Vehicle	20	\$ 61,122	0.38%
Other	36	\$ 516,774	3.18%
Totals	610	\$ 16,258,255	100%

**Property Claims Summary Table
Incurred Losses as of September 30, 2015**

Perils	FY 2015	Incurred Losses - FY 2015	
		Amount	% of Total
Fire	29	\$ 2,328,237	30.04%
Lightning	248	\$ 1,255,290	16.20%
Wind	67	\$ 509,492	6.57%
Burglary	64	\$ 355,666	4.59%
Vandalism	20	\$ 175,608	2.27%
Hail	26	\$ 917,497	11.84%
Freeze	10	\$ 308,318	3.98%
Water	84	\$ 1,811,496	23.37%
Vehicle	15	\$ 58,789	0.76%
Other	14	\$ 29,929	0.39%
Totals	577	\$ 7,750,321	100%

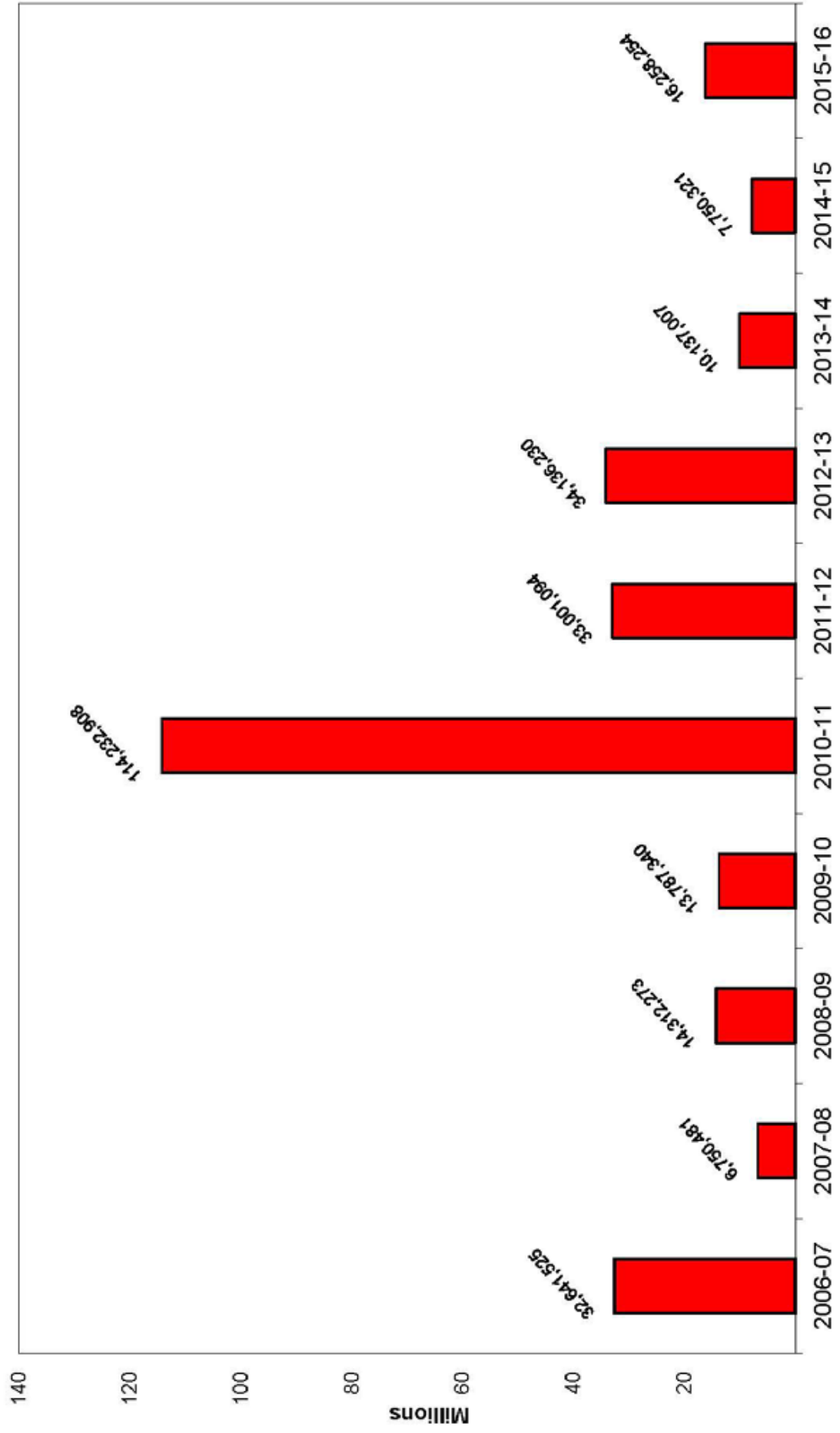
Claims Summary

	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
Claims Handled	610	577	682	849	803
Outside Adjusted	381	353	448	569	515
Inside Adjusted	229	224	234	280	288
Average Claim Size	\$ 26,653	\$ 13,432	\$ 14,864	\$ 25,902**	\$ 28,417*

*Removed 1-23-12 tornado for averaging purposes.

**Removed 12-25-12 tornado for averaging purposes.

History of Property Loss 2006-2016



GENERAL LIABILITY TRUST FUND

State employees are subject to being sued for their acts and omissions in the performance of their official duties. The General Liability Trust Fund (GLTF) defends and indemnifies eligible employees for up to \$1 million per occurrence. In the event a single occurrence, as declared by the Risk Manager, is later judicially determined to be more than one occurrence, the maximum liability of the GLTF is \$1.2 million. Coverage is available to the following when a premium is paid by a participating state entity:

- Full and part-time employees of the state of Alabama
- Contract employees (but not contractors)
- Elected officials
- Foster parents licensed through the Alabama Department of Human Resources and adult foster care providers

The GLTF sets aside a monetary reserve for each covered claim in the amount of the ultimate expected loss. Defense of covered employees is conducted by the Office of the Attorney General, or by attorneys appointed by the Attorney General, in collaboration with the GLTF.

Employee Automobile Liability

The GLTF provides liability coverage for state employees operating more than 8,000 state-owned vehicles. These include trucks, tractor-trailer rigs, state trooper and other law enforcement cars, buses and service vehicles, as well as passenger cars. All claims are adjusted by the American Southern Insurance Company.

In addition, thousands of state employees regularly or occasionally use their personal autos in their state jobs. For these individuals, the GLTF coverage is excess of their personal auto insurance limits as mandated by our state legislature.

Auto Exposure Table

Class	Description	Number of Vehicles Insured				
		FY2016	FY2015	FY2014	FY 2013	FY 2012
001	Private Passenger	1,691	1,744	1,757	1,779	1,875
002	Pickups & Vans	3,894	3,831	3,559	3,613	3,892
003	Trucks & Tractors	1,384	1,350	1,320	1,394	1,487
004	Law Enforcement	938	944	1,018	1,015	1,015
005	Buses	328	322	402	333	327
006	Motorcycle	31	27	26	26	28
	Total Vehicles	8,266	8,218	8,082	8,160	8,624

EDUCATORS LIABILITY TRUST FUND

Employees of Alabama's public K-12 schools are subject to being sued for their acts and omissions in the performance of their official duties. The Educators Liability Trust Fund (ELTF) defends and indemnifies eligible employees for up to \$1 million per occurrence. In the event a single occurrence, as declared by the Risk Manager, is later judicially determined to be more than one occurrence, the maximum liability of the ELTF is \$1.2 million. The ELTF does not cover the school board; it covers employees who are sued individually and are at risk of having to pay damages from their personal assets.

The ELTF sets aside a monetary reserve for each covered claim in the amount of the ultimate expected loss. Defense of covered employees is conducted by attorneys contracted with the Division of Risk Management.

The ELTF has been in effect since July 1, 2013. Because liability claims develop slowly, the current financial report is not reflective of the liabilities that will almost certainly be incurred by the fund over time.

STATE EMPLOYEE INJURY COMPENSATION TRUST FUND

The State Employee Injury Compensation Trust Fund (SEICTF) was created by the legislature on October 1, 1994. Its purpose is to provide benefits to eligible state employees for job-incurred injury. Benefits under SEICTF are administered by the Department of Finance, Division of Risk Management in accordance with the Alabama administrative code and include all reasonable medical expenses arising from job-incurred injury, lost wages (including benefits for time lost from the job), and benefits to dependents of employees who are fatally injured on the job. Specifically excluded from coverage are employees of the State Port Authority, educational institutions, and local boards of education. A key element in assuring effective and efficient operation of SEICTF was the creation of a statewide medical provider network with a focus on professionals who are experts in treating occupational injury. In 2016:

- Fewer than 1% of claims resulted in a formal hearing to address a claim dispute.
- Vocational benefits were paid to employees who could no longer perform the essential functions of their job within the permanent activity restrictions provided by the medical provider.
- Medical Case Management services were utilized to continue to monitor expenses, encourage safety and productivity, and promote high quality care to injured employees. Case managers worked with the injured worker to:
 - ensure quality, necessity and cost effectiveness of health care
 - project a realistic duration of disability
 - coordinate effective communication among all parties
 - promote understanding and encourage compliance with the managed care initiative
 - ensure a safe and expeditious return to work
- Subrogation recoveries were pursued for claims where a third party caused a State employee to become injured while working. SEICTF was reimbursed more than \$313,000.00 by the carriers for the parties at fault during this fiscal year.

Claims Frequency

	2016	2015	2014	2013
Indemnity	204	209	282	265
Medical Only	1381	1380	1409	1,438
Incident Only	752	825	939	943
Total # of Claims	2,337	2,414	2,630	2,646

Indemnity claims are those resulting in payments for lost time from work. Medical claims are those resulting in medical costs but no time off work. An incident claim is one where the claimant did not seek medical attention.

RISK MANAGEMENT TRAINING AND SERVICES

Workplace Injury Prevention Training

The State of Alabama's workforce is comprised of a wide variety of occupations, from vital administration positions to law enforcement officials and many other hazardous occupations. Many State employees put their lives on the line daily and are the front lines to critical state operations. It is Loss Control's mission to assist state agencies with efforts to reduce workplace injuries for SEICTF program participants. DORM's loss control specialists can assist with implementing a new safety program, expanding your existing program, or providing specialized assistance. Some of the services offered include on-site specialized employee training on numerous workplace safety topics such as:

Slip, Trip & Fall Prevention	Hazardous Communications	Biological Hazards
Electrical Safety	Accident Investigation	Ergonomics
Proper Lifting	Proper Fire Extinguisher Use	Distracted Driving
Workplace Violence	Written Safety Programs	Fall Protection
Claims History Analysis	Job Safety Analysis	Chemical Hazards
Workplace Hazard Analysis	Emergency Evacuation Planning	

Boiler and Machinery Inspections and Training

Mandatory boiler inspections are required a minimum of every two years by the Boiler & Pressure Law enacted in 2004. The State Insurance Fund (SIF) contracts with Travelers Insurance to provide boiler inspections as well as inspections on other high pressure equipment items. This service saves SIF participating agencies a minimum inspection fee for the certificate of compliance of \$60 per boiler or high pressure equipment item. More than 2,300 boilers and other items of pressurized equipment were inspected during 2016. These inspections assist agencies in identifying and correcting conditions that could result in sudden breakdowns, property damage, and personal injury.

A Boiler Operator Training Course for boiler operators and maintenance personnel is also conducted annually at no cost to SIF participating agencies. The course focuses on proper maintenance, safe operation, and code changes for pressurized equipment.

Other Training

Training is offered throughout the year on all coverage and benefit programs provided by Risk Management. If your school or agency would like to schedule training, please contact us at (334) 223-6120.



THE EMPLOYEE ASSISTANCE PROGRAM

The State Employee Assistance Program (SEAP) provides services to 122 state agencies and departments covering 29,762 employees and their family members.

The Division of Risk Management has contracted with Behavioral Health Systems, Inc. (BHS) to provide our EAP services in order to expand and enhance the scope of the program. BHS is a preferred provider organization specializing in behavioral health care and comprised of high quality providers across the nation. The program is designed to help employees become more effective in their job performance by providing professional, confidential counseling and assistance with various personal and job related problems. Our EAP plan provides for up to three sessions per year for each employee and their family members.

SEAP deals with issues such as supervisor/employee conflict, personal financial management, marital and family disruptions, drug and alcohol abuse, and emotional and mental stressors. We also provide services which include critical incident stress debriefing (CISD); supervisor and employee training; referral to community resources, online resources, and 24/7 clinician access.

In FY-16:

- There were 462 total cases of treatment for a total of 1,164 counseling sessions.
- Females represented 61% of clients and males 39%.
- Family members of employees represented 20% and employees represented 80% of our total participation.
- Emotional stress related problems were the most frequent primary issue for clients (44%), followed by anxiety/panic issues (19%), depressive disorders (16%), relational issues (10%), and other issues (11%).
- We had 70% of our participants that were self-referred, 14% were supervisor referred, and 16% were family recommended.
- We had 92% of our participants that were seen by a counselor and 8% were seen by a psychologist.
- We had 17% of our participants that were age 51-60, 26% of the participants were age 41-50, 26% were 31-40, 14% were 21-30, 12% were less than 20, and 5% were 61 or older.
- About 15% of our clients felt that their ability to cope with life problems and stressors was excellent before they had any counseling sessions and about 40% felt their abilities were good. However, after they finished their counseling sessions about 19% felt that their abilities to cope were excellent and about 59% felt that their abilities were good.
- We provided 18 statewide training sessions on stress management, communication, and management skills, plus nine other training sessions on various topics. We participated in three State Personnel Benefit Orientation sessions, eight Agency EAP Awareness sessions, three Agency Grief Counseling sessions and one Agency CISD session.

THE ALABAMA EQUIPMENT MAINTENANCE PROGRAM (EMP)

The Alabama Equipment Maintenance Program (EMP) allows all government agencies and departments to consolidate the care of electronic equipment under one comprehensive program. By replacing existing service agreements with this program, agencies will gain a programmatic solution that delivers significant cost savings¹, enhanced equipment protection, the freedom to utilize the best service vendor for each and every maintenance action, program management tools and information, and achieve positive control over the financial and operational performance of their equipment maintenance portfolio.

Effective December 1, 2005, The Remi Group (TRG) assumed all administrative operations including payment for service events, management of the EMP, and decreasing the total state expenditures on equipment maintenance. Alabama state agencies can save 25% off vendor maintenance contracts.

TRG programs are backed by the full faith and credit of leading insurance providers and their financial standing is assured by years of successful operation, outstanding financial structure, and independent rating agencies such as A.M. Best.

¹ The 2016 savings were \$1,700,893.66

THE COMMITTEE ON COMPENSATION FOR WRONGFUL INCARCERATION

In 2001 the Alabama legislature created a mechanism designed to compensate individuals who were found to have been wrongfully incarcerated by the state. Section 29-2-150 through 165, Code of Alabama, created a nine-member committee consisting of state legislators or their designees and the Director of Finance. The committee has authority to make financial awards, subject to appropriation by the legislature, to persons who have been imprisoned for felony convictions "of which the person was innocent."

DORM was designated by the statute to provide administrative support to the committee. DORM personnel developed application forms and drafted operating procedures for the committee, and maintains files of all applications received. DORM evaluates each application to determine that the asserted facts are accurate and whether the application indicates eligibility for compensation based upon the statutory criteria. These findings are then communicated to the members of the committee through its clerk and co-chairmen for whatever action the committee deems appropriate.

**STATE INSURANCE FUND
STATEMENT OF NET POSITION
UNAUDITED
AS OF SEPTEMBER 30, 2016**

	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>
ASSETS			
Current Assets			
Cash and Cash Equivalent	\$ 2,232,417	\$ 816,412	\$ 1,902,163
Cash - Outside Bank Account	503,593	15,597,865	378,052
Cash - Correction	-	-	-
Cash - In Transit	-	-	85,546
Investments (Fair Value)	3,243,717	2,924,445	3,881,877
Accounts Receivable	458,128	11,679	14,273
Advances to Other Funds	613,664	679,984	647,453
Accounts Receivable - Reinsurance Recoveries	-	49,000	4,259,664
Accrued Interest Receivable	-	-	-
Prepaid Insurance	9,612,061	10,496,052	11,009,676
Total Current Assets	16,663,580	30,575,437	22,178,704
Noncurrent Assets			
Investments (Fair Value)	87,164,723	61,052,843	61,041,886
Investments - Real Estate	8,413,014	9,083,185	9,751,691
Advances to Other Funds - LT	9,296,943	11,800,900	10,400,537
Construction in Progress	-	-	1,859,319
Accrued Interest Receivable	141,982	98,639	48,738
Fixed Assets (Net)	205,689	95,207	70,945
Total Noncurrent Assets	105,222,351	82,130,774	83,173,116
Total Assets	121,885,931	112,706,211	105,351,820
LIABILITIES			
Current Liabilities			
Vouchers Payable	111,823	18,527	272,408
Unpaid Claims & Expenses	6,951,800	4,587,499	12,658,356
Total Current Liabilities	7,063,623	4,606,026	12,930,764
Long-term Liabilities			
Due to Other Funds	-	10,000,000	10,000,000
Unpaid Claims & Expenses - LT	4,550,000	1,784,027	5,596,176
Reinsurance Advance Payment	-	-	-
Estimated Recovery of Reserves	(4,550,000)	-	(5,596,176)
Claims Incurred But Not Reported	223,612	483,586	1,206,674
Total Long-term Liabilities	223,612	12,267,613	11,206,674
Total Liabilities	7,287,235	16,873,639	24,137,438
NET POSITION			
Investment in Capital Assets	205,689	95,207	1,930,264
Reserved for Encumbrances	1,649,474	2,266,247	3,033,548
Unrestricted	112,743,533	93,471,118	76,250,570
TOTAL NET POSITION	\$ 114,598,696	\$ 95,832,572	\$ 81,214,382

STATE INSURANCE FUND
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
UNAUDITED
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>
OPERATING REVENUES			
Earned Premiums	\$ 50,312,689	\$ 46,199,173	\$ 39,743,578
Total Operating Revenues	50,312,689	46,199,173	39,743,578
OPERATING EXPENSES			
Operation:			
Loss and Adjustment Expenses	11,168,713	6,742,663	9,143,769
Incurred But Not Reported Expense	(259,974)	(723,088)	1,206,674
Actuarial Services	68,716	85,474	154,987
Program Consultants	-	-	-
Interest Expense	283,014	-	54,050.00
Reinsurance Expense	21,170,826	22,468,676	24,152,880
Total Operations	32,431,295	28,573,725	34,712,360
Administration:			
Personnel Cost	1,031,214	1,255,882	1,256,620
Employee Benefits	501,579	472,285	473,995
Travel - In State	69,555	65,764	41,175
Travel - Out of State	10,383	7,857	12,647
Repairs & Maintenance	459	884	756
Rentals & Leases	5,867	5,279	5,088
Utilities & Communication	26,949	35,195	33,640
Services	729,346	758,053	577,572
Managerial Services	(40,638)	282,011	-
Supplies, Materials & Operating Expense	200,181	194,245	190,251
Transportation Equipment Operations	21,763	21,303	17,916
Grants & Benefits	15	-	-
Nonconsumable Supplies/Equipment	5,065	-	-
Depreciation Expense	35,114	55,219	50,127
Total Administration	2,596,852	3,153,977	2,659,787
Total Operating Expenses	35,028,147	31,727,702	37,372,147
Operating Income (Loss)	15,284,542	14,471,471	2,371,431
NONOPERATING REVENUES (EXPENSES)			
Investment Income	5,068,391	(149,960)	4,599,579
Other Income	722,523	778,282	848,201
Investment Expenses	(538,038)	(462,489)	(523,121)
Total Nonoperating Revenues (Expenses)	5,252,876	165,833	4,924,659
Income (Loss) Before Contributions and Transfers	20,537,418	14,637,304	7,296,090
Transfers Out - State Personnel	(7,170)	(8,241)	(6,520)
Increase (Decrease) in Net Position	20,530,248	14,629,063	7,289,570
Total Net Position, October 1, As Restated	94,068,448	81,203,509	73,924,812
Total Net Position, September 30	\$ 114,598,696	\$ 95,832,572	\$ 81,214,382

**STATE INSURANCE FUND
NOTES TO FINANCIAL STATEMENTS**

The State Insurance Fund (SIF) was established in 1923 and is under the Code of Alabama 1975, Section 41-15-1 for the purpose of insuring direct physical loss on buildings and contents in which title in whole or in part is vested in the State of Alabama or any of its agencies or institutions or in which funds provided by the State have been used for the purchases of land, construction of buildings, purchase or maintenance of any equipment, machinery, furniture, fixtures or supplies in such buildings and public school buildings together with the contents of all such buildings. All covered property shall be insured for no more than its replacement cost and shall be insured for no less than 80 percent of its actual cash value. Salvage value coverage, used on property that is normally uninsurable, is determined by applying eight percent of the property's reconstruction value. City boards of education may insure school buildings and property either in the State Insurance Fund or with an insurance company, whichever in the opinion of such board provides the best coverage for such school buildings and property. The principles of private industry insurance companies are utilized to establish rates, premium discounts, and experience credits to result in equitable premiums charged to policyholders. Excess Insurance and reinsurance is acquired to assure the solvency of the fund.

Losses are recorded as current liabilities and expenses in the year reported. IBNR recognizes losses that have occurred but have not yet been reported. This liability and expense is determined by a professional actuary. The SIF has a \$7,500,000 cumulative loss annual deductible and a \$3,500,000 specific loss deductible for all perils except named and numbered wind, and a \$10,000,000 specific loss deductible for named and numbered wind losses. Excess insurance covers claims exceeding the deductible with a \$300,000,000 limit for named wind storms and a \$2,000,000,000 limit for all other perils. Second event wind coverage for \$9,000,000 in excess of \$1,000,000 is purchased to provide additional protection for the SIF. Payments received in fiscal years 2016 and 2015 for settlements in excess of deductibles total \$0 and \$6,236,211 respectively.

The following table presents the changes in claims liabilities for the past two years:

	September 30,	
	<u>2016</u>	<u>2015</u>
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 6,855,112	\$ 13,865,030
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	11,900,000	8,300,000
Increase (Decrease) in provision for insured events of prior years	<u>(991,261)</u>	<u>(2,280,425)</u>
Total incurred claims and adjustment expenses	10,908,739	6,019,575
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(6,315,880)	(2,856,729)
Claims and adjustment expenses attributable to insured events of prior years	<u>(4,272,559)</u>	<u>(10,172,764)</u>
Total payments	(10,588,439)	(13,029,493)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$ 7,175,412</u>	<u>\$ 6,855,112</u>

STATE INSURANCE FUND INVESTMENT NOTES

	September 30,		
	<u>2016</u>	<u>2015</u>	<u>% Change</u>
Investments			
Money Market	\$ 3,243,717	\$ 2,924,445	(9.8)
Commercial Paper	-	-	-
Time Deposits	28,380,810	21,765,882	(23.3)
US Treasury Securities	4,948,645	2,167,134	(56.2)
US Agency Securities	2,118,463	3,352,644	58.3
State & Local Gov Securities	156,755	160,135	2.2
Mortgage Backed Securities	9,615	14,933	55.3
Domestic Corporate Stocks	27,861,357	24,746,399	(11.2)
Domestic Corporate Bonds	9,749,213	5,010,990	(48.6)
International Stocks	285,236	295,393	3.6
Mutual Funds	13,633,101	3,082,286	(77.4)
Investment Not Otherwise Classified	<u>21,528</u>	<u>457,047</u>	2,023.0
	90,408,440	63,977,288	(29.2)
Real Estate Investments	<u>8,413,014</u>	<u>9,083,185</u>	8.0
Total Investments	<u>\$ 98,821,454</u>	<u>\$ 73,060,473</u>	(26.1)
 Investment Income			
Interest Income	\$ 623,938	\$ 580,503	(7.0)
Change in Fair Value of Investments	1,739,253	(2,539,958)	(246.0)
Gain(Loss) on Sale of Investments	882,336	590,776	(33.0)
Stock Dividends	784,678	730,754	(6.9)
Amortization/Depr Income	-	(668,507)	-
Rental Income	<u>1,038,186</u>	<u>1,156,472</u>	11.4
Total Investment Income	<u>\$ 5,068,391</u>	<u>\$ (149,960)</u>	(103.0)

**STATE INSURANCE FUND
RETURN ON EQUITY (ROE)**

Fiscal Year	Fund Equity	Net Revenue		Underwriting Net Revenue		Investment Net Revenue	
2016	114,598,696	20,530,248	17.9%	15,277,372	13.3%	4,530,353	4.0%
2015	95,832,572	14,629,063	15.3%	14,463,230	15.1%	(612,449)	-0.6%
2014	81,214,382	7,289,570	9.0%	2,364,911	2.9%	4,076,458	5.0%
2013	60,050,242	(34,634,904)	-57.7%	(40,615,569)	-67.6%	5,079,146	8.5%
2012	94,327,231	5,747,725	6.1%	(1,186,296)	-1.3%	5,861,204	6.2%
2011	88,292,970	(9,668,933)	-11.0%	(11,652,521)	-13.2%	1,126,063	1.3%
2010	98,155,070	3,225,462	3.3%	(695,277)	-0.7%	3,021,018	3.1%
2009	94,994,097	(1,881,383)	-2.0%	(3,191,872)	-3.4%	(236,263)	-0.2%
2008	97,066,369	35,833,917	36.9%	35,224,669	36.3%	(112,914)	-0.1%
2007	95,934,998	(15,385,426)	-16.0%	(23,827,475)	-24.8%	7,117,257	7.4%
Average Return On Equity		0.6%		-3.6%		3.1%	

**STATE INSURANCE FUND LOSS EXPERIENCE
BY FISCAL YEAR**

	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2012</u>
Earned Premium	\$ 50,312,689	\$ 46,199,173	\$ 39,743,578	\$ 35,314,175	\$ 30,566,484
Less Reinsurance Cost	<u>21,170,826</u>	<u>22,468,676</u>	<u>24,152,880</u>	<u>26,115,252</u>	<u>20,834,084</u>
Net Premium	<u>\$ 29,141,863</u>	<u>\$ 23,730,497</u>	<u>\$ 15,590,698</u>	<u>\$ 9,198,923</u>	<u>\$ 9,732,400</u>
Claims and Expenses Paid	\$ 10,588,439	\$ 13,029,493	\$ 14,347,839	\$ 40,253,094	\$ 11,530,413
Claims and Expenses Unpaid	580,274	(6,286,830)	(5,204,070)	7,659,570	(1,794,446)
Loss Incurred But Not Reported	<u>(259,974)</u>	<u>(723,088)</u>	<u>1,206,674</u>	<u>(823,336)</u>	<u>(1,290,615)</u>
Net Losses	<u>\$ 10,908,739</u>	<u>\$ 6,019,575</u>	<u>\$ 10,350,443</u>	<u>\$ 47,089,328</u>	<u>\$ 8,445,352</u>
Loss Ratio	37.4%	25.4%	66.4%	511.9%	86.8%

*Loss Ratio = Net Losses divided by Net Premium

STATE INSURANCE FUND
Underwriting Revenues and Expenditures
Other Revenues and Expenditures
Ten Year Income Summary

	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
UNDERWRITING REVENUES:										
Earned Premium	\$ 50,312,689	\$ 46,199,173	\$ 39,743,578	\$ 35,314,175	\$ 30,566,484	\$ 28,998,551	\$ 29,231,612	\$ 32,662,515	\$ 31,948,049	\$ 24,080,167
UNDERWRITING EXPENSES:										
Claims and Expenses Paid	10,588,439	13,029,493	14,347,839	40,253,094	11,530,413	16,955,189	12,552,356	11,463,188	15,945,572	26,232,909
Claims and Expenses Unpaid	580,274	(6,286,830)	(5,204,070)	7,659,570	(1,794,446)	4,600,749	(1,983,630)	4,973,747	(38,849,241)	5,827,009
IBNR Expenses	(259,974)	(723,088)	1,206,674	(823,336)	(1,290,615)	(115,754)	(226,349)	(543,284)	344,707	(803,521)
Net Claims	10,908,739	6,019,575	10,350,443	47,089,329	8,445,352	21,440,184	10,342,377	15,893,651	(22,558,962)	31,256,397
Reinsurance Premium	21,170,826	22,468,676	24,152,880	26,115,252	20,834,084	16,624,602	16,803,212	17,021,507	16,582,458	15,066,930
Actuarial Services	68,716	85,474	154,987	120,963	202,645	151,436	65,305	84,475	15,576	46,413
Appraisal Services	-	-	-	-	-	63,990	265,085	525,570	619,960	-
Program Consultants	-	-	-	30,659	27,487	26,647	29,151	23,319	93,888	43,697
Supplies-Software	-	-	-	-	-	-	-	-	-	33,433
Interest Expense	283,014	-	54,050	-	-	-	-	-	-	-
Administrative Expenses	2,604,022	3,162,218	2,666,307	2,573,542	2,243,212	2,344,213	2,421,759	2,305,865	1,970,460	1,460,772
Total Underwriting Expense	35,035,317	31,735,943	37,378,667	75,929,745	31,752,780	40,651,072	29,926,889	35,854,387	(3,276,620)	47,907,642
Net Underwriting Revenues	15,277,372	14,463,230	2,364,911	(40,615,570)	(1,186,296)	(11,652,521)	(695,277)	(3,191,872)	35,224,669	(23,827,475)
OTHER REVENUES:										
Investment Income	5,068,391	(149,960)	4,599,579	5,443,921	6,165,238	1,402,855	3,257,146	97,536	(442,905)	7,544,754
Other Income	722,523	778,282	848,201	901,519	1,069,817	857,525	899,721	1,546,752	1,382,144	1,324,792
Total Other Revenues	5,790,914	628,322	5,447,780	6,345,440	7,235,055	2,260,380	4,156,867	1,644,288	939,239	8,869,546
OTHER EXPENSES:										
Investment Expenses	538,038	462,489	523,121	364,775	301,034	276,792	236,128	333,799	329,991	427,497
Total Other Expenses	538,038	462,489	523,121	364,775	301,034	276,792	236,128	333,799	329,991	427,497
Net Other Revenues	5,252,876	165,833	4,924,659	5,980,665	6,934,021	1,983,588	3,920,739	1,310,489	609,248	8,442,049
NET REVENUES	\$ 20,530,248	\$ 14,629,063	\$ 7,289,570	\$ (34,634,905)	\$ 5,747,725	\$ (9,668,933)	\$ 3,225,462	\$ (1,881,383)	\$ 35,833,917	\$ (15,385,426)

**State of Alabama
State Insurance Fund
Ten Year Loss Development**

The following table illustrates how the State Insurance Fund's (Fund) earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Fund as of the end of each of the previous ten years. The rows of the table are defined as follows: (1) This line shows the total of each fiscal year's gross earned premiums and reported investment revenue, amounts of premiums ceded, and reported premiums (net of reinsurance) and reported investment revenue. (2) This line shows each fiscal year's other operating costs of the Fund including overhead and loss adjustment expenses not allocable to individual claims. (3) This line shows the Fund's gross incurred losses and allocated loss adjustment expense, losses assumed by reinsurers, and net incurred losses and loss adjustment expense (both paid and accrued) as originally reported at the end of the year in which the event that triggered coverage occurred (called accident year). (4) This section of ten rows shows the cumulative net amounts paid as of the end of successive years for each accident year. (5) This line shows the latest reestimated amount of losses assumed by reinsurers for each accident year. (6) This section of ten rows shows how each accident year's net incurred losses increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known losses, reevaluation of existing information on known losses, and emergency of new losses not previously known.) (7) This line compares the latest reestimated net incurred losses amount to the amount originally established (line 3) and shows whether this latest estimate of losses is greater or less than originally estimated. As data for individual accident years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred losses currently recognized in less mature accident years. The columns of the table show data for successive accident years.

	Fiscal and Accident Year Ended									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1. Premiums and investment revenue:										
Earned	\$31,624,921	\$31,505,144	\$32,760,051	\$32,488,658	\$30,401,406	\$36,731,722	\$40,758,096	\$44,343,156	\$46,049,213	\$55,381,080
Ceded	15,066,930	16,582,458	17,021,507	16,803,212	16,624,602	20,834,084	26,115,252	24,152,880	22,468,676	21,170,826
Net Earned	16,557,991	14,922,686	15,738,544	15,685,446	13,776,804	15,897,638	14,642,844	20,190,276	23,580,537	34,210,254
2. Unallocated expenses	2,011,812	3,029,874	3,273,028	3,009,975	2,863,078	2,774,378	3,089,939	3,375,456	3,710,181	3,493,790
3. Estimated losses and expenses, end of accident year:										
Incurred	34,750,795	9,843,167	15,974,858	17,531,067	113,642,633	38,861,612	33,467,018	11,500,000	8,300,000	16,450,000
Ceded	23,972,792	-	-	5,781,067	91,228,189	28,359,154	2,757,035	-	-	4,550,000
Net incurred	10,778,003	9,843,167	15,974,858	11,750,000	22,414,444	10,502,458	30,709,983	11,500,000	8,300,000	11,900,000
4. Net paid (cumulative) as of:										
End of accident year	4,616,761	2,840,393	5,134,855	6,493,216	9,192,688	3,842,095	16,000,360	3,823,239	2,856,729	6,315,880
One year later	14,467,870	6,256,552	11,681,390	10,177,985	16,880,437	22,702,692	26,555,352	8,188,044	6,476,511	
Two years later	15,892,504	6,613,211	14,306,765	10,241,179	22,069,924	4,350,548	29,087,976	8,275,073		
Three years later	16,159,863	6,710,410	14,310,211	10,858,760	21,604,255	11,369,881	29,610,596			
Four years later	16,159,438	6,749,906	14,312,273	10,857,671	21,833,390	11,369,317				
Five years later	16,158,466	6,749,906	14,312,273	10,856,483	21,833,390					
Six years later	16,157,689	6,749,906	14,312,273	10,855,196						
Seven years later	16,156,527	6,749,906	14,312,273							
Eight years later	16,155,287	6,749,906								
Nine years later	16,154,151									
5. Reestimated ceded losses and expenses	16,293,046	-	-	2,928,580	72,691,346	18,661,715	-	-	-	4,550,000
6. Reestimated net incurred losses and expenses:										
End of accident year	10,778,003	9,843,167	15,974,858	11,750,000	22,414,444	10,502,458	30,709,983	11,500,000	8,300,000	11,900,000
One year later	16,661,283	7,534,616	14,850,000	10,750,000	21,000,000	32,434,640	29,711,248	9,000,000	7,700,000	
Two years later	16,119,961	7,239,999	14,605,689	10,883,007	22,900,000	11,044,723	29,687,863	8,642,877		
Three years later	16,159,863	7,072,120	14,527,550	10,858,760	22,062,092	11,369,881	29,610,596			
Four years later	16,159,438	6,749,906	14,312,273	10,857,671	21,833,390	11,369,317				
Five years later	16,158,466	6,749,906	14,312,273	10,856,483	21,833,390					
Six years later	16,157,689	6,749,906	14,312,273	10,855,196						
Seven years later	16,156,527	6,749,906	14,312,273							
Eight years later	16,155,287	6,749,906								
Nine years later	16,154,151									
7. Increase (decrease) in estimated net incurred losses and expenses from end of accident year	5,376,148	(3,093,261)	(1,662,585)	(894,804)	(581,054)	866,859	(1,099,387)	(2,857,123)	(600,000)	-

GENERAL LIABILITY TRUST FUND
STATEMENT OF NET POSITION
UNAUDITED
SEPTEMBER 30, 2016

ASSETS	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>
Current Assets			
Cash and Cash Equivalent	\$ 6,562,085	\$ 7,665,106	\$ 5,833,972
Cash - Outside Bank Account	553,860	22,947,671	16,338,302
Investments (Fair Value)	542,250	2,669,762	1,428,141
Due From Other Funds	25,159	-	-
Accrued Interest Receivable	-	-	-
Prepaid Insurance	-	-	-
Total Current Assets	7,683,354	33,282,539	23,600,415
Noncurrent Assets			
Investments (Fair Value)	54,854,396	14,086,351	15,185,817
Advance to Other Funds - LT	-	10,000,000	10,000,000
Accrued Interest Receivable	99,658	121,336	103,023
Total Noncurrent Assets	54,954,054	24,207,687	25,288,840
TOTAL ASSETS	62,637,408	57,490,226	48,889,255
LIABILITIES			
Current Liabilities			
Vouchers Payable	100,987	34,584	53,245
Due To Other Funds	70,654	-	46
Unpaid Claims & Expenses	2,003,342	2,485,277	2,288,348
Total Current Liabilities	2,174,983	2,519,861	2,341,639
Long-term Liabilities			
Unpaid Claims & Expenses - LT	6,010,027	6,719,452	6,187,016
Estimated Recovery of Reserves	-	-	-
Claims Incurred But Not Reported	13,206,001	14,501,408	16,939,553
Total Long-term Liabilities	19,216,028	21,220,860	23,126,569
Total Liabilities	21,391,011	23,740,721	25,468,208
NET POSITION			
Reserve for Encumbrances	103,892	331,902	962,709
Unrestricted	41,142,505	33,417,603	22,458,338
TOTAL NET POSITION	\$ 41,246,397	\$ 33,749,505	\$ 23,421,047

GENERAL LIABILITY TRUST FUND
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
UNAUDITED
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>
OPERATING REVENUES			
Earned Premiums	\$ 7,914,016	\$ 8,073,543	\$ 8,228,228
Total Operating Revenues	7,914,016	8,073,543	8,228,228
 OPERATING EXPENSES			
Operations:			
Loss and Adjustment Expenses	1,281,618	3,691,246	1,043,870
Incurred But Not Reported Expense	(1,295,407)	(2,438,145)	31,083
Actuarial Services	14,163	13,754	15,521
Program Consultants	-	-	-
Reinsurance Expense	540,000	-	555,000
Total Operations	540,374	1,266,855	1,645,474
Administration:			
Personnel Costs	369,474	453,898	485,069
Employee Benefits	112,927	136,867	152,627
Travel - In State	-	-	-
Travel - Out of State	-	-	-
Repair & Maintenance	389	69	335
Rentals & Leases	6,303	5,615	5,464
Utilities & Communication	4,537	2,764	2,642
Services	117,611	60,939	174,606
Supplies, Materials & Operating Expense	65,452	53,613	49,159
Transportation Equipment Operations	-	-	-
Nonconsumable Supplies/Equipment	816	-	-
Total Administration	677,509	713,765	869,902
 Total Operating Expenses	1,217,883	1,980,620	2,515,376
 Operating Income (Loss)	6,696,133	6,092,923	5,712,852
 NONOPERATING REVENUES (EXPENSES)			
Investment Income	651,312	270,780	323,427
Other Income	283,014	-	-
Investment Expenses	(49,675)	(3,836)	(4,121)
Total Nonoperating Revenues (Expenses)	884,651	266,944	319,306
 Income (Loss) Before Contributions and Transfers	7,580,784	6,359,867	6,032,158
Transfers Out - State Personnel	(1,559)	(1,902)	(2,371)
 Increase (Decrease) in Net Position	7,579,225	6,357,965	6,029,787
Total Net Position, October 1, As Restated	33,667,172	27,391,540	17,391,260
 Total Net Position, September 30	\$ 41,246,397	\$ 33,749,505	\$ 23,421,047

**GENERAL LIABILITY TRUST FUND
NOTES TO FINANCIAL STATEMENTS**

The General Liability Trust Fund (GLTF) was established in 1984 to protect state employees from personal financial liability resulting from lawsuits that are based on alleged negligence while acting within the line and scope of state employment. Claims are investigated and defended through the Office of the Attorney General. Auto Liability is fully reinsured and the re-insurer, American Southern Insurance Company, handles all claims. The GLTF is managed much like a commercial insurance company, with exposure evaluated and commensurate premiums assigned to state agencies. Investment activities are an essential part of the General Liability Trust Fund's ability to maintain lower-cost employee liability coverage. Funds in excess of those needed for immediate operations are invested to maximize return and keep premiums down.

Losses are recorded as current liabilities and expenses in the year reported. IBNR recognizes losses that have occurred but have not yet been reported. This liability and expense is determined by a professional actuary. Excess insurance was procured effective January 15, 2011. Excess insurance was not purchased in fiscal year 2015 but was renewed for fiscal year 2016. There were no payments received in fiscal years 2016, 2015, and 2014 for settlements in excess of deductibles for old claims.

The following table presents the changes in claims liabilities for the past two years:

	September 30,	
	<u>2016</u>	<u>2015</u>
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 23,706,137	\$ 25,414,917
Incurring claims and adjustment expenses:		
Provision for insured events of the current year	4,623,213	5,123,465
Increase (Decrease) in provision for insured events of prior years	<u>(4,707,656)</u>	<u>(3,870,365)</u>
Total incurred claims and adjustment expenses	(84,443)	1,253,100
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(148,975)	(129,523)
Claims and adjustment expenses attributable to insured events of prior years	<u>(2,253,348)</u>	<u>(2,832,357)</u>
Total payments	(2,402,323)	(2,961,880)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$ 21,219,371</u>	<u>\$ 23,706,137</u>

GENERAL LIABILITY TRUST FUND
INVESTMENT NOTES

	September 30,		<u>% Change</u>
	<u>2016</u>	<u>2015</u>	
Investments			
Money Market Funds	\$ 542,250	\$ 2,669,762	(79.7)
Commercial Paper	-	-	-
US Treasury Securities	6,548,334	287,703	2,176.1
US Agency Securities	587,911	-	-
Mortgage Backed Securities	7,738	12,973	(40.4)
Domestic Corporate Stock	3,376,855	-	-
Domestic Corporate Bonds	8,109,147	13,785,675	(41.2)
Mutual Funds Long Term	36,224,411	-	-
Total Investments	<u>\$ 55,396,646</u>	<u>\$ 16,756,113</u>	230.6
 Investment Income			
Interest Income	\$ 323,132	\$ 366,512	(11.8)
Change in Fair Value of Investments	387,009	(53,889)	(818.2)
Gain(Loss) on Sale of Investments	(143,647)	(41,843)	243.3
Stock Dividends	84,818	-	-
Total Investment Income	<u>\$ 651,312</u>	<u>\$ 270,780</u>	140.5

GENERAL LIABILITY TRUST FUND
Underwriting Revenues and Expenses
Other Revenues and Expenses
Ten Year Income Summary

	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>
UNDERWRITING REVENUES:										
Earned Premium	\$ 7,914,016	\$ 8,073,543	\$ 8,228,228	\$ 8,550,756	\$ 9,117,114	\$ 14,081,440	\$ 13,286,552	\$ 13,452,191	\$ 13,537,260	\$ 12,590,391
UNDERWRITING EXPENSES:										
Claims and Expenses Paid	2,472,977	2,961,880	2,805,909	4,151,135	6,348,516	8,284,923	4,305,162	7,659,525	6,401,802	7,997,593
Claims and Expenses Unpaid	(1,191,359)	729,366	(1,762,039)	(129,618)	1,250,590	(927,459)	1,885,098	(2,032,005)	(643,542)	(1,301,463)
IBNR Expenses	(1,295,407)	(2,438,145)	31,083	(374,670)	(2,147,336)	(252,266)	(879,202)	3,336,687	1,345,152	(3,160,995)
Net Claims	(13,789)	1,253,101	1,074,953	3,646,847	5,451,770	7,105,198	5,311,058	8,964,207	7,103,412	3,535,135
Reinsurance Premium	540,000	-	555,000	465,000	3,517,217	3,858,871	3,276,588	3,249,806	1,897,004	3,915,990
Actuarial Services	14,163	13,754	15,521	12,769	15,163	16,689	13,801	12,708	13,683	13,494
Program Consultants	-	-	-	7,188	3,927	3,807	4,165	3,331	16,237	29,622
Interest Expense	-	-	-	-	-	-	-	-	15,000	45,000
Administrative Expenses	679,068	715,667	872,273	813,870	695,795	688,464	621,958	693,374	781,799	825,075
Total Underwriting Expenses	1,219,442	1,982,522	2,517,747	4,945,674	9,683,872	11,673,029	9,227,470	12,923,426	9,827,135	8,364,316
Net Underwriting Revenues	6,694,574	6,091,021	5,710,481	3,605,082	(566,758)	2,408,411	4,059,082	528,765	3,710,125	4,226,075
OTHER REVENUES:										
Investment Income	651,312	270,780	323,427	9,040	415,231	231,178	478,624	754,184	1,315,627	1,007,298
Other Income	283,014	-	-	-	96	480	6,048	-	5,446	250,464
Total Other Revenues	934,326	270,780	323,427	9,040	415,327	231,658	484,672	754,184	1,321,073	1,257,762
OTHER EXPENSES:										
Investment Expenses	49,675	3,836	4,121	-	63	221	-	-	-	-
Other Expense	-	-	-	-	-	-	-	-	-	-
	49,675	3,836	4,121	-	63	221	-	-	-	-
NET REVENUES	\$ 7,579,225	\$ 6,357,965	\$ 6,029,787	\$ 3,614,122	\$ (151,494)	\$ 2,639,848	\$ 4,543,754	\$ 1,282,949	\$ 5,031,198	\$ 5,483,837

EDUCATORS LIABILITY TRUST FUND
STATEMENT OF NET POSITION
UNAUDITED
SEPTEMBER 30, 2016

ASSETS	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>
Current Assets			
Cash and Cash Equivalent	\$ 3,174,597	\$ 6,686,302	\$ 4,812,633
Investments (Fair Value)	345,808	-	-
Accrued Interest Receivable	-	-	-
Accounts Receivable	-	-	-
Total Current Assets	3,520,405	6,686,302	4,812,633
Noncurrent Assets			
Investments (Fair Value)	4,704,891	-	-
Accrued Interest Receivable	4,804	-	-
Total Noncurrent Assets	4,709,695	-	-
TOTAL ASSETS	8,230,100	6,686,302	4,812,633
LIABILITIES			
Current Liabilities			
Vouchers Payable	56,267	18,166	14,090
Unpaid Claims & Expenses	-	-	-
Total Current Liabilities	56,267	18,166	14,090
Long-term Liabilities			
Unpaid Claims & Expenses - LT	1,872,614	603,958	220,522
Claims Incurred But Not Reported	13,001,296	5,049,254	3,970,079
Total Long-term Liabilities	14,873,910	5,653,212	4,190,601
Total Liabilities	14,930,177	5,671,378	4,204,691
NET POSITION			
Reserve for Encumbrances	1,037,298	3,214,836	1,642,149
Unrestricted	(7,737,375)	(2,199,912)	(1,034,207)
TOTAL NET POSITION	\$ (6,700,077)	\$ 1,014,924	\$ 607,942

EDUCATORS LIABILITY TRUST FUND
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
UNAUDITED
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>
OPERATING REVENUES			
Earned Premiums	<u>\$ 2,250,000</u>	<u>\$ 2,250,000</u>	<u>\$ 4,500,000</u>
Total Operating Revenues	2,250,000	2,250,000	4,500,000
 OPERATING EXPENSES			
Operations:			
Loss and Adjustment Expenses	1,737,957	500,302	250,444
Incurred But Not Reported Expense	7,952,042	1,079,175	3,570,079
Actuarial Services	8,924	1,770	8,473
Program Consultants	<u>-</u>	<u>-</u>	<u>-</u>
Total Operations	9,698,923	1,581,247	3,828,996
Administration:			
Personnel Costs	193,427	167,386	83,007
Employee Benefits	56,382	67,894	42,589
Travel - In State	-	11	11
Travel - Out of State	1,141	844	-
Repair & Maintenance	389	-	-
Rentals & Leases	16	-	-
Utilities & Communication	1,734	878	1,934
Services	26,188	5,894	2,176
Supplies, Materials & Operating Expense	13,597	11,874	10,320
Transportation Equipment Operations	107	72	45
Nonconsumable Supplies/Equipment	<u>815</u>	<u>-</u>	<u>-</u>
Total Administration	293,796	254,853	140,082
 Total Operating Expenses	9,992,719	1,836,100	3,969,078
 Operating Income (Loss)	(7,742,719)	413,900	530,922
 NONOPERATING REVENUES (EXPENSES)			
Investment Income	47,172	-	-
Investment Expenses	<u>(12,059)</u>	<u>-</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	35,113	-	319,306
 Income (Loss) Before Contributions and Transfers	(7,707,606)	413,900	530,922
 Transfers Out - State Personnel	<u>(1,247)</u>	<u>-</u>	<u>-</u>
 Increase (Decrease) in Net Position	(7,708,853)	413,900	530,922
Total Net Position, October 1, As Restated	<u>1,008,776</u>	<u>601,024</u>	<u>77,020</u>
 Total Net Position, September 30	<u>\$ (6,700,077)</u>	<u>\$ 1,014,924</u>	<u>\$ 607,942</u>

**EDUCATORS LIABILITY TRUST FUND
NOTES TO FINANCIAL STATEMENTS**

The Educators Liability Trust Fund (ELTF) was established by the Alabama Legislature on July 1, 2013 to protect teachers, principals and other employees of local K-12 public education units from incurring personal financial liability due to lawsuits brought against them for conduct that is within the line and scope of their duties as education employees. All claims submitted to the Division of Risk Management are investigated, and all covered claims are defended by assigned counsel. The ELTF is managed much like a commercial insurance company. Premiums received by the fund each fiscal year are set by the legislature. Those premiums are used to pay claims and expenses. Premiums not needed for immediate operations may be built up over time and invested in order to maximize return, keep assets available for the Fund's needs, and keep future premiums as low as possible.

Losses are recorded as current liabilities and expenses in the year reported. IBNR recognizes losses that have occurred but have not yet been reported.

The following table presents the changes in claims liabilities for the past two years:

	September 30,	
	<u>2016</u>	<u>2015</u>
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 5,653,212	\$ 4,190,601
Incurring claims and adjustment expenses:		
Provision for insured events of the current year	5,540,000	1,579,477
Increase (Decrease) in provision for insured events of prior years	<u>4,149,998</u>	<u>-</u>
Total incurred claims and adjustment expenses	9,689,998	1,579,477
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(315)	(24,752)
Claims and adjustment expenses attributable to insured events of prior years	<u>(468,985)</u>	<u>(92,114)</u>
Total payments	(469,300)	(116,866)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$ 14,873,910</u>	<u>\$ 5,653,212</u>

EDUCATORS LIABILITY TRUST FUND
Underwriting Revenues and Expenses
Other Revenues and Expenses
Ten Year Income Summary

	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>
UNDERWRITING REVENUES:										
Earned Premium	\$ 2,250,000	\$ 2,250,000	\$ 4,500,000	\$ 500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
UNDERWRITING EXPENSES:										
Claims and Expenses Paid	469,301	116,867	29,921	-	-	-	-	-	-	-
Claims and Expenses Unpaid	1,268,656	383,435	220,522	-	-	-	-	-	-	-
IBNR Expenses	7,952,042	1,079,175	3,570,079	400,000	-	-	-	-	-	-
Net Claims	9,689,999	1,579,477	3,820,522	400,000	-	-	-	-	-	-
Actualia Services	8,924	1,770	8,473	1,980	-	-	-	-	-	-
Program Consultants	-	-	-	-	-	-	-	-	-	-
Administrative Expenses	295,043	254,853	140,083	19,154	-	-	-	-	-	-
Total Underwriting Expenses	9,993,966	1,836,100	3,969,078	421,134	-	-	-	-	-	-
Net Underwriting Revenues	(7,743,966)	413,900	530,922	78,866	-	-	-	-	-	-
OTHER REVENUES:										
Investment Income	47,172	-	-	-	-	-	-	-	-	-
Other Income	-	-	-	-	-	-	-	-	-	-
Total Other Revenues	47,172	-	-	-	-	-	-	-	-	-
OTHER EXPENSES:										
Investment Expenses	12,059	-	-	-	-	-	-	-	-	-
Other Expense	-	-	-	-	-	-	-	-	-	-
	12,059	-	-	-	-	-	-	-	-	-
NET REVENUES	<u>\$ (7,708,853)</u>	<u>\$ 413,900</u>	<u>\$ 530,922</u>	<u>\$ 78,866</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STATE EMPLOYEE INJURY COMPENSATION TRUST FUND
STATEMENT OF NET POSITION
UNAUDITED
SEPTEMBER 30, 2016

ASSETS	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>
Current Assets			
Cash and Cash Equivalent	\$ 1,381,678	\$ 1,137,778	\$ 2,585,960
Cash - Outside Bank Account	591,867	18,506,890	16,180,881
Cash - In Transit	-	-	-
Investments (Fair Value)	555,874	5,521,029	1,194,100
Accounts Receivable	-	-	-
Due From Other Funds	651,942	-	-
Accrued Interest Receivable	-	166,689	367,574
Prepaid Expense	-	-	-
Total Current Assets	3,181,361	25,332,386	20,328,515
Noncurrent Assets			
Investments (Fair Value)	36,075,255	12,481,787	16,612,378
Advance to Other Funds	-	-	-
Accrued Interest Receivable	91,867	65,769	76,330
Total Noncurrent Assets	36,167,122	12,547,556	16,688,708
TOTAL ASSETS	39,348,483	37,879,942	37,017,223
LIABILITIES			
Current Liabilities			
Vouchers Payable	450,237	282,109	511,323
Due To Other Funds	223,173	-	-
Self-Insured Deposits	120,000	120,000	120,000
Unpaid Claims & Expenses	1,673,996	1,835,555	1,260,370
Total Current Liabilities	2,467,406	2,237,664	1,891,693
Long-term Liabilities			
Unpaid Claims & Expenses - LT	6,695,984	6,507,877	7,142,097
Claims Incurred But Not Reported	10,265,496	10,665,127	11,363,821
Total Long-term Liabilities	16,961,480	17,173,004	18,505,918
Total Liabilities	19,428,886	19,410,668	20,397,611
NET POSITION			
Reserved for Encumbrances	562,829	888,176	1,262,243
Unrestricted	19,356,768	17,581,098	15,357,369
TOTAL NET POSITION	\$ 19,919,597	\$ 18,469,274	\$ 16,619,612

STATE EMPLOYEE INJURY COMPENSATION TRUST FUND
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
UNAUDITED
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>
OPERATING REVENUES			
Earned Premiums	\$ 6,688,971	\$ 6,821,734	\$ 6,921,659
Earned Premiums - EAP	208,523	218,104	225,870
Administrative Fees - Self Insured Agencies	<u>281,390</u>	<u>284,350</u>	<u>232,085</u>
Total Operating Revenues	7,178,884	7,324,188	7,379,614
OPERATING EXPENSES			
Operations:			
Loss and Adjustment Expenses	3,318,759	3,402,888	2,535,811
Incurred But Not Reported Expense	(399,631)	(698,694)	1,016,184
Actuarial Services	19,313	26,094	11,400
Medical Services	151,853	208,257	152,599
Program Consultants	-	-	5,633
EAP Expenses	146,850	137,980	133,070
Other Non-Claim Operational Expenses	<u>-</u>	<u>-</u>	<u>-</u>
Total Operations	3,237,144	3,076,525	3,854,697
Administration:			
Personnel Costs	1,868,017	1,658,105	1,585,800
Employee Benefits	663,662	617,055	583,816
Travel - In State	1,811	3,368	1,823
Travel - Out of State	2,494	2,467	-
Repair & Maintenance	389	-	314
Rentals & Leases	9,354	8,652	9,063
Utilities & Communication	18,150	15,960	16,004
Services	256,327	138,024	211,901
Supplies, Materials & Operating Expense	105,292	88,692	156,227
Transportation Equipment Operations	633	872	1,437
Nonconsumable Supplies/Equipment	<u>2,525</u>	<u>-</u>	<u>-</u>
Total Administration	2,928,654	2,533,195	2,566,385
Total Operating Expenses	6,165,798	5,609,720	6,421,082
Operating Income (Loss)	1,013,086	1,714,468	958,532
NONOPERATING REVENUES (EXPENSES)			
Investment Income	687,883	216,927	304,348
Miscellaneous Fees	-	795	54,050
Court Ordered Settlements	-	-	-
Reimbursement Not Otherwise Classified	-	-	-
Investment Expense	<u>(50,691)</u>	<u>(4,423)</u>	<u>(4,776)</u>
Total Nonoperating Revenues (Expenses)	637,192	213,299	353,622
Income (Loss) Before Contributions and Transfers	1,650,278	1,927,767	1,312,154
Transfers Out - State Personnel	<u>(9,976)</u>	<u>(9,826)</u>	<u>(9,336)</u>
Increase (Decrease) in Net Position	1,640,302	1,917,941	1,302,818
Total Net Position, October 1, As Restated	<u>18,279,295</u>	<u>16,551,333</u>	<u>15,316,794</u>
Total Net Position, September 30	\$ 19,919,597	\$ 18,469,274	\$ 16,619,612

STATE EMPLOYEE INJURY COMPENSATION TRUST FUND
NOTES TO FINANCIAL STATEMENTS

The State Employee Injury Compensation Trust Fund (SEICTF) was created by the legislature on October 1, 1994. Its purpose is to provide benefits to eligible state employees for job-incurred injury. Benefits under SEICTF are administered by the Department of Finance, Division of Risk Management in accordance with the Alabama Administrative Code and include all reasonable medical expenses arising from a job-incurred injury, lost wages (including benefits for time lost from the job), and benefits to dependents of employees who are fatally injured on the job. Specifically excluded from coverage are employees of the State Port Authority, educational institutions, and local boards of education. A key element in assuring effective and efficient operation of SEICTF was the creation of a statewide medical provider network with a focus on professionals who are experts in treating occupational injury.

Losses are recorded as current liabilities and expenses in the year reported. IBNR recognizes losses that have occurred but have not been reported. This liability and expense is determined by a professional actuary.

The following table presents the changes in claims liabilities for the past two years:

	September 30,	
	<u>2016</u>	<u>2015</u>
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$ 19,008,559	\$ 19,766,288
Incurring claims and adjustment expenses:		
Provision for insured events of the current year	4,200,000	4,499,999
Increase (Decrease) in provision for insured events of prior years	<u>(1,281,992)</u>	<u>(1,795,805)</u>
Total incurred claims and adjustment expenses	2,918,008	2,704,194
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(1,141,814)	(1,499,473)
Claims and adjustment expenses attributable to insured events of prior years	<u>(2,149,277)</u>	<u>(1,962,450)</u>
Total payments	(3,291,091)	(3,461,923)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$ 18,635,476</u>	<u>\$ 19,008,559</u>

The Department of Transportation finances its own risk for state employee injury compensation. This table does not include the changes in claims liabilities for the Department of Transportation.

STATE EMPLOYEE INJURY COMPENSATION TRUST FUND

INVESTMENT NOTES

	September 30, 2016		<u>% Change</u>
	<u>2016</u>	<u>2015</u>	
Investments			
Money Market Funds	\$ 555,874	\$ 5,521,029	(89.9)
Commercial Paper	-	-	-
US Treasury Securities Long Term	8,663,032	287,703	2,911.1
US Agency Securities	3,521,085	-	-
Domestic Corporate Stock	2,259,264	-	-
Domestic Corporate Bonds	6,565,595	12,194,084	(46.2)
Mutual Funds Long Term	15,066,278	-	-
Total Investments	<u>\$ 36,631,128</u>	<u>\$ 18,002,816</u>	103.5
 Investment Income			
Interest Income	\$ 306,914	\$ 341,725	(10.2)
Change in Fair Value of Investments	493,713	94,510	422.4
Gain(Loss) on Sale of Investments	(176,219)	(219,308)	(19.6)
Stock Dividends	63,475	-	-
Total Investment Income	<u>\$ 687,883</u>	<u>\$ 216,927</u>	217.1

STATE EMPLOYEE INJURY COMPENSATION TRUST FUND
Underwriting Revenues and Expenses
Other Revenues and Expenses
Ten Year Income Summary

	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>
UNDERWRITING REVENUES:										
Earned Premiums	\$ 6,688,971	\$ 6,821,734	\$ 6,921,659	\$ 7,353,662	\$ 7,745,888	\$ 8,685,743	\$ 9,172,759	\$ 7,717,034	\$ 7,587,499	\$ 3,384,120
Earned Premiums - EAP	208,523	218,104	225,870	223,485	231,919	232,022	-	-	-	-
Administrative Fees - Self Insured Agencies	281,390	284,350	232,085	290,220	283,435	309,488	315,152	316,015	308,530	1,248,844
	<u>7,178,884</u>	<u>7,324,188</u>	<u>7,379,614</u>	<u>7,867,367</u>	<u>8,261,242</u>	<u>9,227,253</u>	<u>9,487,911</u>	<u>8,033,049</u>	<u>7,896,029</u>	<u>4,632,964</u>
UNDERWRITING EXPENSES:										
Claims and Expenses Paid	3,292,211	3,461,923	3,057,739	4,580,626	3,801,395	4,035,964	4,558,230	3,929,439	6,757,163	691,505
Claims and Expenses Unpaid	26,548	(59,035)	(521,928)	1,405,305	(1,379,735)	(824,340)	(1,137,343)	1,292,376	2,820,984	(416,595)
IBNR Expenses	(399,631)	(698,694)	1,016,184	(495,816)	(549,151)	1,667,627	2,119,918	(97,498)	1,536,267	(2,190,402)
Net Claims	<u>2,919,128</u>	<u>2,704,194</u>	<u>3,551,995</u>	<u>5,490,115</u>	<u>1,872,509</u>	<u>4,879,251</u>	<u>5,540,805</u>	<u>5,124,317</u>	<u>11,114,414</u>	<u>(1,915,492)</u>
Reinsurance Premium			-	-	-	-	-	-	-	-
Actuarial Services	19,313	26,094	11,400	28,635	26,213	68,648	37,179	52,436	41,054	22,986
Medical Services	151,853	208,257	152,599	186,249	248,336	163,461	470,239	704,383	970,597	1,096,107
Program Consultants	-	-	5,633	22,630	42,987	272,292	70,069	6,662	11,662	9,118
EAP Expenses	146,850	137,980	133,070	155,070	158,565	189,132	224,940	-	-	-
Administrative Expenses	<u>2,938,630</u>	<u>2,543,021</u>	<u>2,575,721</u>	<u>2,578,333</u>	<u>2,432,561</u>	<u>2,384,574</u>	<u>2,300,694</u>	<u>2,248,590</u>	<u>1,927,346</u>	<u>1,529,687</u>
Total Underwriting Expenses	<u>6,175,774</u>	<u>5,619,546</u>	<u>6,430,418</u>	<u>8,461,032</u>	<u>4,781,171</u>	<u>7,957,358</u>	<u>8,643,926</u>	<u>8,136,388</u>	<u>14,065,073</u>	<u>742,406</u>
Net Underwriting Revenues	<u>1,003,110</u>	<u>1,704,642</u>	<u>949,196</u>	<u>(593,665)</u>	<u>3,480,071</u>	<u>1,269,895</u>	<u>843,985</u>	<u>(103,339)</u>	<u>(6,169,044)</u>	<u>3,890,558</u>
OTHER REVENUES:										
Investment Income	687,883	216,927	304,348	8,351	513,494	199,342	399,581	508,059	1,189,892	1,030,081
Other Income	-	795	54,050	121	153	263	213	96	16,200	45,420
Total Other Revenues	<u>687,883</u>	<u>217,722</u>	<u>358,398</u>	<u>8,472</u>	<u>513,647</u>	<u>199,605</u>	<u>399,794</u>	<u>508,155</u>	<u>1,206,092</u>	<u>1,075,501</u>
OTHER EXPENSES:										
Other Non-Claim Operational Expenses	-	-	-	-	-	-	397	-	4,110,184	628
Investment Expenses	<u>50,691</u>	<u>4,423</u>	<u>4,776</u>	<u>-</u>	<u>63</u>	<u>221</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>50,691</u>	<u>4,423</u>	<u>4,776</u>	<u>-</u>	<u>63</u>	<u>221</u>	<u>397</u>	<u>-</u>	<u>4,110,184</u>	<u>628</u>
NET REVENUES	<u>\$ 1,640,302</u>	<u>\$ 1,917,941</u>	<u>\$ 1,302,818</u>	<u>\$ (585,193)</u>	<u>\$ 3,993,655</u>	<u>\$ 1,469,279</u>	<u>\$ 1,243,382</u>	<u>\$ 404,816</u>	<u>\$ (9,073,136)</u>	<u>\$ 4,965,431</u>

NOTES

NOTES

Staff

ACTING RISK MANAGER	Kim Huggins
ADMINISTRATIVE	Laura Robinson Sylvia Williams Sarah Mohajerin
INFORMATION SYSTEMS	Clint Witherington Thomas Davis Sharon Henderson Edward Morgan Starla Sanders
LEGAL	Daryl Masters
CLAIMS	Hugh Gale Erik Smith Olivia Ford
EMPLOYEE ASSISTANCE	Vacant
LOSS CONTROL	Elizabeth Fralish Robert Borth Brittany Brown Ronnie Daniels Danny Dean Chris Langston Michael McCoy Harper Pruett Rick Selfridge Rusty Taylor
UNDERWRITING	Max Graham Dale Whittle Casey Dunn Kory Hobbs Regina Roughton Patsi Sims Pamela Watkins Heather Whorton
EMPLOYEE INJURY	<div> Melanie Longpre Kimberly Alexander Pam Bailey April Cannon Regina Chavez Paula Cole Jill Cowart Gina Dismukes Marie Fussell Gwendolyn Givens Brandi Green Kristi Griffith Suzanne Hill </div> <div> Georgia Ivey Beth Ledbetter Terri Loving Lakeisha Parker-Phillips Tina Paulk Voncille Pompey Tammy Sasser Sandi Schroyer Sirena Sheridan Kim Sides Dorothy Tarver Beverly Taylor Jana Valdakis </div>

